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Prime Minister
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PRIME MINISTEREUROPEAN FIGHTER AIRCRAFT

I should report formally to you and our OD colleagues that an agreement was signed this morning in Turin between the National Armaments Directors of the United Kingdom, Germany and Italy to proceed with the definition of a collaborative programme for a European fighter aircraft to enter service in the mid-1990s.

2. Following my minute to OD colleagues of 26th July, there have been intensive discussions this week between me and my German opposite number, Dr Woerner, and our experts, to establish a basis upon which a decision to proceed could be reached before the holiday period. The danger of further delay was that France would bring to bear pressure at the highest political level to secure a Franco-German solution rather than the 4 nation proposal favoured by the German Air Force and German industry. To head this off, I agreed with Dr Woerner and with the Italians a package of proposals, within the negotiating framework set out



in my minute of 26th July, to which we would all subscribe and proceed with in the event that wider agreement on a 5 nation basis could not be secured.

3. The essential elements of the agreement now reached are as follows:

a. An aircraft weighing 9.75 tonnes BME, (including 140 Kg for equipment and a 110 Kg contingency), with a wing area of 50 square metres, and two engines each with a thrust of 90 kilonewtons. The configuration is to be based on the 4-nation design submitted by British Aerospace and others.

b. A management structure including a Steering Committee responsible for the guidance of the programme; an international programme office for planning and the award of contracts; and two joint companies for the system configuration and integration of the airframe, engine, avionics and equipment and for the engine.

c. The three management organisations referred to in the previous sub-paragraph shall be co-located. The text of the agreement does not state where but it is understood between the partners that the location will be Munich.



d. Equitable arrangements for the distribution of key appointments in the three organisations taking account of their location.

e. Each nation will fund the work carried out in project definition by its own industries. Work and cost sharing in the development phase will be based upon assumed orders for production aircraft, which for the presently agreed 3 nation project gives 38% for the United Kingdom, 38% for Germany and 24% for Italy. Production worksharing will be on the basis of firm orders at the time when production commences.

f. The partners keep the programme open for the participation of additional nations, in which case decisions on worksharing and on the distribution of key appointments will be reconsidered. In a separate note a deadline of 15th August has been set for the other prospective partners each to decide whether they wish to join and agreement has been reached on 4 or 5 nation workshares in such circumstances (on the same principles originally envisaged for a 5 nation project.)

4. While this agreement falls short of our ideal of a 5 nation project, it represents a most satisfactory outcome. It is also clear that we would never have secured the support of the



Germans without pursuing the strategy of genuinely seeking a 5 nation solution. It seems unlikely that France will decide to join but, as you know, we have taken active steps today to seek to persuade Spain to do so.

5. Finally, the dangers ahead. First, just as today's news is good for us it will be profoundly disappointing for the French. They will seek at every milestone in the programme to find ways of detaching the Germans: we must be prepared. Secondly, there is the risk that pressure from Air Forces and from industry will drive up the weight and cost of the aircraft. This would provide the French with the opportunity to say that they had told their partners so and to reinforce the political drive aimed at the Germans. We must take the steps concerning the management and cost control of the project necessary to avoid this, on which I am already in preliminary touch with Dr Woerner.

6. I am copying this minute to the other members of OD and to the Secretary of the Cabinet.

Rummen

Ministry of Defence

2nd August 1985

(Approved by the Defence Secretary & signed in his absence)